NINE EXPRESS LIMITED
九號運通有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 00009)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017

The board (the "**Board**") of directors (the "**Directors**") of Nine Express Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2017 ("**FY2017**" or the "**Year under Review**"), with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2017

		2017	2016
	Note	***HK$'000***	*HK$'000*
Revenue	*5*	**66,890**	23,047
Cost of sales	*7*	**(48,496)**	(5,919)
Gross profit		**18,394**	17,128
Other income and gains	*5*	**84,795**	87,891
Fair value loss on investment properties		**(6,070)**	(21,445)
Impairment loss on investment in an associate	*11*	**(246,862)**	(148,674)
Impairment loss on available-for-sale financial assets		**–**	(20,008)
Properties under development written down		**(181,074)**	(46,953)
Loss on early redemption of convertible notes		**(183)**	–
Provision for PRC Enterprise Income tax		**–**	(28,200)
Administrative expenses	*7*	**(41,660)**	(56,612)
Selling and marketing expenses	*7*	**(3,207)**	(1,947)
Operating loss		**(375,867)**	(218,820)

	Note	2017 HK$'000	2016 HK$'000
Finance income	6	**168**	42
Finance costs	6	**(23,365)**	(51,432)
Finance costs – net	6	**(23,197)**	(51,390)
Share of profits/(losses) of investments in associates		**1,008**	(1,398)
Loss on deemed disposal of an associate		**–**	(61,222)
Loss before income tax		**(398,056)**	(332,830)
Income tax credit	8	**2,633**	4,116
Loss for the year attributable to owners of the Company		**(395,423)**	(328,714)
Loss per share	10		
Basic		**HK(14.65)cents**	HK(14.54)cents
Diluted		**HK(14.65)cents**	HK(14.54)cents
Dividend	9	**–**	–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(395,423)**	(328,714)
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	**45,027**	(42,818)
Share of other comprehensive income of an associate accounted for using the equity method	**(34)**	56
Other comprehensive income for the year, net of tax	**44,993**	(42,762)
Total comprehensive income for the year attributable to owners of the Company	**(350,430)**	(371,476)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**141,889**	71,994
Land use rights		**77,273**	79,285
Investment properties		**270,819**	256,868
Investments in associates		**645,540**	891,420
Available-for-sale financial assets		**167,722**	167,722
Prepayments and other receivables	*13*	**1,380**	16,495
Film rights		**102**	102
Financial assets at fair value through profit or loss		**95,225**	63,400
Total non-current assets		**1,399,950**	1,547,286
Current assets			
Properties for sale or under development		**1,007,784**	1,035,652
Inventories		**1**	2
Trade and rental receivables	*12*	**15,325**	10,642
Prepayments and other receivables	*13*	**38,365**	11,738
Tax recoverable		**–**	7
Financial assets at fair value through profit or loss		**52,892**	24,231
Restricted bank deposits		**24,068**	8,692
Cash and cash equivalents		**7,645**	24,010
Total current assets		**1,146,080**	1,114,974
LIABILITIES			
Current liabilities			
Trade payables	*14*	**45,583**	18,146
Other payables, accruals and deposits received		**324,574**	201,002
Borrowings		**306,678**	371,610
Current tax liabilities		**4,113**	2,121
Total current liabilities		**680,948**	592,879
Net current assets		**465,132**	522,095
Total assets less current liabilities		**1,865,082**	2,069,381

	Note	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Deposits received		**2,698**	2,501
Borrowings		**356,480**	326,075
Convertible notes		**134,911**	136,828
Deferred tax liabilities		**164,372**	157,140
Total non-current liabilities		**658,461**	622,544
Net assets		**1,206,621**	1,446,837
EQUITY			
Equity attributable to owners of the Company			
Issued share capital		**29,654**	24,712
Other reserves		**1,176,967**	1,422,125
Total equity		**1,206,621**	1,446,837

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 9 May 2001 as an exempted company with limited liability and its issued shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company's registered office address is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the head office and principal place of business in Hong Kong of the Company is located at Room 4101, 41st Floor, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

The Company acts as an investment holding company. The principal activities of the Group consists of film distribution and licensing, film processing, rental of property, property and hotel development, and investment in centralised heat supply.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards ("**HKAS**") and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

As at 31 December 2017, the Group had total current liabilities of approximately HK$680,948,000 that would be due for repayment in the coming twelve months. As at the same date, the Group had cash and cash equivalents of approximately HK$7,645,000. In addition, the Group recorded a net loss attributable to owners of the Company of approximately HK$395,423,000 and had net cash outflow from operating activities of approximately HK$593,000 for the year ended 31 December 2017. These events or conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern, therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management has prepared cash flow projections which cover a period of eighteen months from the date of the consolidated statement of financial position. The Directors have reviewed the Group's cash flow projections. The Directors closely monitor the Group's liquidity position and financial performance and have initiated measures to improve the Group's cash flows. These measures include obtaining additional financing from a company controlled by the substantial shareholder and other parties with lower interest cost. The Group also received a letter of financial support from a company controlled by the substantial shareholder confirming that it will continue to provide adequate funds for the Group to meet its present and future financial obligations as they fall due. In the opinion of the Directors, in light of the above, together with the anticipated cash outflows from operations, the Group will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming eighteen months from the date of the consolidated statement of financial position. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2017. Of these, the following new or revised HKFRSs are relevant to the Group.

Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to HKAS 40 Investment Property: Transfers of investment property	1 January 2018
HKFRS 16 Leases	1 January 2019
HK (IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed in the annual report.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into five business units – property rental, film distribution and licensing, film processing, property and hotel development and centralised heat supply.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit (loss), which is a measure of adjusted profit (loss) before income tax. The profit (loss) before income tax is measured consistently with the Group's profit (loss) before income tax except that finance income, finance costs, as well as head office and corporate expenses, and certain other income are excluded from such measurement.

Segment assets exclude restricted bank deposits, cash and cash equivalents, financial assets at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a Group basis.

Segment liabilities exclude convertible notes and other unallocated head office and corporate liabilities as these liabilities are managed on a Group basis.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2017

	Property rental	**Film distribution and licensing**	**Film processing**	**Property and hotel development**	**Centralised heat supply**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
External revenue	**19,079**	**2,343**	**1,890**	**43,578**	**–**	**66,890**
Total revenue	**19,079**	**2,343**	**1,890**	**43,578**	**–**	**66,890**
Segment results	**3,932**	**(2,291)**	**(634)**	**(192,834)**	**(245,871)**	**(437,698)**
Unallocated corporate income						**62,839**
Finance income						**168**
Finance costs						**(23,365)**
Loss before income tax						**(398,056)**
Income tax credit						**2,633**
Loss for the year						**(395,423)**

As at 31 December 2017

	Property rental *HK$'000*	Film distribution and licensing *HK$'000*	Film processing *HK$'000*	Property and hotel development *HK$'000*	Centralised heat supply *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Assets and liabilities							
Segment assets	**285,459**	**111**	**1,335**	**1,325,076**	**–**	**288,509**	**1,900,490**
Segment liabilities	**56,480**	**7,278**	**473**	**1,015,803**	**–**	**259,375**	**1,339,409**
Investments in associates	**–**	**–**	**–**	**–**	**645,540**	**–**	**645,540**
Other segment information:							
Capital expenditure	**42**	**–**	**–**	**60,129**	**–**	**192**	**60,363**
Depreciation	**907**	**–**	**450**	**152**	**–**	**1,167**	**2,676**
Fair value loss on investment properties	**6,070**	**–**	**–**	**–**	**–**	**–**	**6,070**
Properties under development written down	**–**	**–**	**–**	**181,074**	**–**	**–**	**181,074**
Impairment loss on investment in an associate	**–**	**–**	**–**	**–**	**246,862**	**–**	**246,862**
Share of profits of investments in associates	**–**	**–**	**–**	**–**	**1,008**	**–**	**1,008**

Year ended 31 December 2016

	Property rental HK$'000	Film distribution and licensing HK$'000	Film processing HK$'000	Property and hotel development HK$'000	Centralised heat supply HK$'000	Total HK$'000
Segment revenue:						
External revenue	19,303	1,285	2,459	–	–	23,047
Total revenue	19,303	1,285	2,459	–	–	23,047
Segment results	(9,364)	(14,143)	(2,007)	(58,829)	(148,169)	(232,512)
Unallocated corporate expenses						(48,928)
Finance income						42
Finance costs						(51,432)
Loss before income tax						(332,830)
Income tax credit						4,116
Loss for the year						(328,714)

As at 31 December 2016

	Property rental HK$'000	Film distribution and licensing HK$'000	Film processing HK$'000	Property and hotel development HK$'000	Centralised heat supply HK$'000	Unallocated HK$'000	Total HK$'000
Assets and liabilities							
Segment assets	269,808	140	2,851	1,349,286	–	148,755	1,770,840
Segment liabilities	51,569	8,338	1,858	893,424	–	260,234	1,215,423
Investments in associates	–	–	–	–	891,420	–	891,420
Other segment information:							
Capital expenditure	774	–	86	2,731	–	1,522	5,113
Depreciation	923	–	480	300	–	2,722	4,425
Fair value loss on investment properties	21,445	–	–	–	–	–	21,445
Property under development written down	–	–	–	46,953	–	–	46,953
Impairment loss on investment in an associate	–	–	–	–	148,674	–	148,674
Share of losses (profits) of investments in associates	–	–	–	1,966	(568)	–	1,398

(a) Geographical information

2017

	Hong Kong *HK$'000*	**Mainland China** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Revenue	**2,756**	**62,657**	**1,477**	**66,890**
Non-current assets (excluding available-for-sale financial assets and financial assets at fair value through profit or loss)	**4,393**	**1,132,610**	**–**	**1,137,003**
Capital expenditure	**192**	**60,171**	**–**	**60,363**

2016

	Hong Kong *HK$'000*	Mainland China *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue	3,226	19,303	518	23,047
Non-current assets (excluding available-for-sale financial assets and financial assets at fair value through profit or loss)	5,880	1,310,284	–	1,316,164
Capital expenditure	1,504	3,609	–	5,113

(b) Information about major customers

Revenue of HK$12,926,000 (2016: HK$13,110,000) and HK$3,585,000 (2016: HK$3,620,000) were derived from two individual tenants of property rental segment.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of film rights licensed, after allowances for trade discounts; the value of services rendered; sales of properties and rental income received and receivable from its investment property less business tax during the year.

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Sales of properties	**43,578**	–
Property rental income	**19,079**	19,303
Film distribution and licensing income	**2,343**	1,285
Film processing income	**1,890**	2,459
	66,890	23,047
Other income and gains		
Fair value gains on financial assets at fair value through profit or loss	**84,717**	87,631
Gain on disposal of property, plant and equipment	**57**	110
Others	**21**	150
	84,795	87,891

6. FINANCE COSTS – NET

	2017	2016
	HK$'000	*HK$'000*
Finance costs:		
Interest on bank borrowings wholly repayable within five years	**37,821**	43,414
Interest on finance leases	**–**	20
Interest on other borrowings	**32,715**	32,407
Interest on convertible notes	**16,333**	13,114
Foreign exchange difference, net	**1,586**	212
	88,455	89,167
Less: amounts capitalised on qualifying assets	**(65,090)**	(37,735)
Total finance costs	**23,365**	51,432
Finance income:		
Interest income on short-term bank deposits	**(168)**	(42)
Total finance income	**(168)**	(42)
Finance costs – net	**23,197**	51,390

7. EXPENSES BY NATURE

	2017	2016
	HK$'000	*HK$'000*
Employee benefit expenses (excluding directors' remuneration):		
Wages and salaries	**14,989**	18,437
Pension costs – defined contribution plans and social security costs	**941**	982
	15,930	19,419
Directors' remuneration	**4,370**	5,410
Auditors' remuneration	**2,122**	1,881
Depreciation	**2,676**	4,425
Cost of inventories recognised as expenses	**112**	83
Cost of properties sold	**43,578**	–
Operating lease rentals in respect of buildings	**3,617**	4,655
Direct operating expenses of investment property that generate rental income	**3,246**	3,226
Provision for impairment of trade receivables	**–**	69
Reversal of provision for impairment of trade receivables	**(40)**	(85)
Professional fees	**5,960**	14,173
Selling and marketing expenses	**3,207**	1,947
Others	**8,585**	9,275
Total cost of sales, administrative expenses and selling and marketing expenses	**93,363**	64,478

8. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year.

The applicable tax rate for the Group's operations in Mainland China is 25%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2017	2016
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Charge for the year	**54**	–
Overprovision in prior years	**–**	(5)
Current tax – the People's Republic of China (the "**PRC**")		
Charge for the year	**2,464**	2,286
Total current tax	**2,518**	2,281
Deferred tax	**(5,151)**	(6,397)
Total tax credit	**(2,633)**	(4,116)

9. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2017 and 2016, nor has any dividend been proposed since the end of the reporting period.

10. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2017	2016
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(395,423)**	(328,714)
Weighted average number of ordinary shares in issue (thousands)	**2,698,645**	2,261,158

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had three categories of dilutive potential ordinary shares, share options, warrants and convertible notes for the years ended 31 December 2017 and 2016.

For the years ended 31 December 2017 and 2016, the convertible notes were assumed to have been converted into ordinary shares, and the net loss was adjusted to eliminate the interest expense less the tax effect. Potential ordinary shares arising from the assumed conversion of convertible notes were not included in the calculation of diluted loss per share because they are anti-dilutive for the years ended 31 December 2017 and 2016. For share options and warrants, calculation is done to determine the number of shares that could have acquired at fair value (determined as average annual market share price of the Company's shares) based on the monetary value of the subscription right attached to the outstanding share options and warrants. As the exercise price of the share options and warrants granted by the Company was higher than the average annual market price of the Company's shares for the years ended 31 December 2017 and 2016, the outstanding share options and warrants had no dilutive effect on loss per share. Therefore, diluted loss per share for the years ended 31 December 2017 and 2016 equals basic loss per share.

11. IMPAIRMENT LOSS ON INVESTMENT IN AN ASSOCIATE

For impairment assessment, the Group had estimated the value in use of Ever-Grand Development Limited ("**Ever-Grand**"), based on the share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operation of the associate and the proceeds from the ultimate disposal of the investment. For the year ended 31 December 2017, due to further delay in pipeline construction, an impairment loss of HK$246,862,000 (2016: HK$148,674,000) was recognised in profit or loss. The pre-tax discount rate used was 21% (2016: 19.4%).

The investment in Ever-Grand was included in the segment of "centralised heat supply".

12. TRADE AND RENTAL RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**2,768**	554
Less: provision for impairment of trade receivables	**(69)**	(109)
Trade receivables – net	**2,699**	445
Rental receivables	**12,626**	10,197
	15,325	10,642

The carrying amounts of trade and rental receivables approximate their fair values.

The Group has a policy of allowing its trade customers credit periods normally ranging from 90 to 120 days. Before accepting any new customers, the Group uses an internal credit assessment process to assess the potential customers' credit quality and defines credit limits by customers. Credit limits attributed to customers are reviewed regularly.

The aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 – 90 days	**2,699**	415
91 – 180 days	**–**	30
	2,699	445

Aging of trade receivables which are past due but not impaired is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 – 90 days	**2,699**	234

13. PREPAYMENTS AND OTHER RECEIVABLES

		2017	2016
	Note	***HK$'000***	*HK$'000*
Prepayment for construction costs	*(i)*	**512**	97,800
Accumulated impairment loss		**–**	(82,796)
Prepayment for construction costs – net		**512**	15,004
Other prepayments		**10,979**	2,497
Other receivables		**26,677**	8,166
Utility and other deposits		**1,577**	2,566
		39,745	28,233
Less: current portion		**(38,365)**	(11,738)
Non-current portion		**1,380**	16,495

Note:

(i) The balance represents prepayments to subcontractors in the PRC relating to the construction project of the Group in Hunan for developing the hotel.

14. TRADE PAYABLES

At 31 December 2017, the aging analysis of the trade payables, based on the invoice date, is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 – 90 days	**44,572**	16,357
91 – 180 days	**80**	1,175
181 – 365 days	**125**	290
Over 1 year	**806**	324
	45,583	18,146

15. CONTINGENT LIABILITIES

According to Tax Circular 698 and Public Notice [2015] No. 7 ("**Public Notice 7**") of the State Administration of Taxation (the "**SAT**"), the Group's acquisition of 49% equity interest in Ever-Grand during the year ended 31 December 2016 ("**FY2016**") had led to an indirect acquisition of subsidiaries of Ever-Grand in the PRC, including 東莞市德晉能源科技有限公司 (Dongguan City Dejin Energy Technology Company Limited) and 東莞市德晉熱力有限公司 (Dongguan City Dejin Thermal Power Company Limited). Such arrangement shall be re-characterised as a direct transfer by the PRC tax authorities and the capital gain derived will be subject to PRC Enterprise Income tax ("**EIT**"). The Group should act as EIT withholding agent and report the indirect equity transfer (and settle the EIT, if applicable) to the tax authority within 30 days after the equity transfer agreement is concluded.

In case the Group fails to fulfill its withholding obligation and Sky-Linked International Limited ("**Sky-Linked**"), has not paid the EIT, the PRC tax authorities would demand Sky-Linked for the payment of EIT and impose penalty of 50% to 3 times of the unpaid EIT on the Group. The penalty may be relieved if the indirect transfer has been voluntarily reported to the PRC tax authorities by the Group.

The Company has already held back a sum of HK$60,000,000 payable to Sky-Linked to serve as withholding EIT and further made an EIT provision of HK$28,200,000, but has not yet reported the transaction or paid EIT to the PRC tax authorities. After consulting PRC legal counsel, the Directors are of the opinion that the Group has already substantially fulfilled the withholding obligation, thereby containing the risk of penalty to reasonably low level.

According to sale and purchase agreement dated 16 November 2015 entered into among the Company, Sky-Linked and the Guarantors, namely Mr. Cheng Ngok Fai and Mr. Li Ruiguang, Sky-Linked is responsible for the filing and the settlement of the EIT arising from the indirect equity transfer in accordance to the relevant PRC tax laws and regulations. Sky-Linked shall compensate the Company in case Sky-Linked fails to report and payment of the EIT on the indirect equity transfer. In addition, such arrangement was further formally executed through a deed of tax indemnify entered into among the Company, Sky-Linked and the Guarantors on 30 March 2016. Therefore, the Directors believe Sky-Linked, who still own 51% equity interest in Ever-Grand, would voluntarily report and pay the EIT to the PRC tax authorities, as well as compensating the Group for any penalty to be imposed to the Group, if any. The Directors do not consider it probable that a claim will be made against the Group regarding the penalty mentioned above.

Except as above, the Group has no material contingent liabilities as at 31 December 2017 and 2016.

EXTRACTS OF INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements, which indicates that, as at 31 December 2017, the Group had total current liabilities of approximately HK$680,948,000 that would be due for repayment in the coming twelve months. As at the same date, the Group had cash and cash equivalents of approximately HK$7,645,000. In addition, the Group recorded a net loss attributable to owners of the Company of approximately HK$395,423,000 and had cash outflow from operating activities of approximately HK$593,000 for the year ended 31 December 2017. These events or conditions indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The aforesaid "note 2 to the consolidated financial statements" in the extract of the independent auditor's report is disclosed in note 2 to this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Year under Review, the Group continued to focus on (i) property and hotel development (the "**Xiangtan Project**") in Xiangtan, Hunan Province, (ii) property rentals (the "**Chengdu Project**") in Chengdu, Sichuan Province, (iii) film distribution and processing business, and (iv) investment in centralised heat supply business.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2017, the Group recorded a turnover of approximately HK$66,890,000 (2016: HK$23,047,000), accounting for an increase of approximately 190%. Loss attributable to the owners of the Company was approximately HK$395,423,000 (2016: HK$328,714,000).

For the year ended 31 December 2017, property rental income was stable and contributed approximately HK$19,079,000 (2016: HK$19,303,000) to the total turnover. Revenues of film distribution and processing business amounted to approximately HK$4,233,000 (2016: HK$3,744,000) while revenues of property and hotel development business amounted to approximately HK$43,578,000 (2016: Nil).

Loss attributable to the owners of the Company for the year ended 31 December 2017 was approximately HK$395,423,000 (2016: HK$328,714,000). Basic loss per share was approximately HK14.65 cents (2016: HK14.54 cents). The Board does not recommend dividend payout for the year ended 31 December 2017 (2016: Nil). As at 31 December 2017, cash and cash equivalents were approximately HK$7,645,000 (2016: HK$24,010,000).

BUSINESS REVIEW

(i) Xiangtan Project

Situated in the Jiuhua Economic Zone of Xiangtan, Hunan, the Xiangtan Project encompasses a land area of 325,989 square meters for the development of a five-star hotel and low density residential units.

With the successive development and operation of the surrounding infrastructure works in 2017, for example, the Maglev train which connects Changsha airport with the core areas of the Changsha city and the Intercity Railway which runs across the major cities in Hunan (i.e. the convenient living circle formed by Changsha, Xiangtan and Zhuzhou as well as the surrounding areas), the sophisticated transportation network and ancillary facilities will further bolster the growth of the local property and tourism sector.

In 2016, the outer-wall construction work on the proposed five-star hotel has already been completed. In view of the increasing maturity of adjacent recreational facilities and surrounding infrastructure development, the Group have commenced the interior decorating works of the hotel during the year. In alignment with the five-star positioning of the hotel, the Group has entered into a management contract with the world-renowned Swissotel, whereby the hotel will be operated as one of the luxury hotel brands under AccorHotels Group. The hotel, which strives to provide travellers with world-class comfort, is expected to commence operation near the end of 2018 or in the first half of 2019.

As for the sales of the residential units, the Group has achieved good progress during the year. For the year ended 31 December 2017, the Group had recognized the revenues of 38 units of duplex villas with a gross saleable area of approximately 8,110 square meters, generating revenues of approximately HK$43,578,000. The Group expected that the remaining 6 units of duplex villas with a gross saleable area of approximately 1,288 square meters and 70 units of semi-detached villas with a gross saleable area of approximately 15,286 square meters (which was pre-sold at 31 December 2017) will generate revenues of approximately HK$6,905,000 and HK$143,221,000 respectively in future financial periods. During the year, the Group has also completed the construction of detached villa units and is currently carrying out greening, landscape design and road construction works. The Group expects to be granted the relevant pre-sale permits in the first half of 2018. By then, the 27 detached villa houses with a gross area of approximately 15,000 square meters will generate further cash flows from the pre-sale proceeds and further strengthen the financial position of the Group.

Moving to 2018, the Group will speed up the construction of the remaining Phase 1 property development. In the first half of 2018, the Group will commence the construction of newly built semi-detached villas and high rise apartments with a gross saleable area of approximately 194,000 square meters. Upon completion of the construction work in that area, the Group will spare no effort in taking the project forward into the Phase II expansion to cater for the property market boom in Xiangtan city.

(ii) Chengdu Project

For the year ended 31 December 2017, the Group's five-storey shopping centre located in Jinniu District, Chengdu, remained almost fully leased and occupied, remaining the main steady income driver for the Group. Revenues from property rental amounted to approximately HK$19,079,000, were similar to FY2016.

(iii) Film Distribution and Processing Business

For the year ended 31 December 2017, revenues of film distribution and processing business amounted to approximately HK$4,233,000, increased by approximately 13% as compared with FY2016. The loss before income tax narrowed from approximately HK$16,150,000 in FY2016 to approximately HK$2,925,000 in FY2017. While maintaining existing operations of the business, the Group will adjust its current film business portfolio and resource allocation into the sector according to the actual development and market conditions.

(iv) Centralised Heat Supply Business

The Group mainly distributes steam and heat to industrial customers in Humen Town and Changan Town of Dongguan City through Ever-Grand Development Limited ("**Ever-Grand**"), which is the first and also the only environmentally-friendly and centralized heat supply company in Dongguan City.

Currently, the Group is supplying steam to over 20 active customers in Humen Town through steam transmission pipelines of approximately 3.3km. During the year, the steam supply volume reached approximately generating revenues of approximately HK$24,267,000 to Ever-Grand. As a result of a couple reasons, the business plan was not timely carried out as planned: (i) the change of the ultimate controlling shareholding of Ever-Grand, whereas the completion of the unconditional general offer of the Company was completed in November 2017, thus the relevant funding of the planned capital investment was not put in place in a timely manner; (ii) that resulting in the delay of the construction of the planned steam transmission pipeline; (iii) Changan Binhai New Area's "Guangdong, Hong Kong, and Macau Greater Bay Area Development Plan Outline" failed to be issued in 2017. Before the Dawan District Plan was issued, all plans in the area were temporarily suspended for approval. According to the talks with the government, the outline is expected to be landed in the 4th quarter of 2018. The Changan section of this project will also be launched accordingly and (iv) the progress of the shutdown of industrial boilers was slower than expected due to inadequate monitoring efforts by the local authorities, Ever-Grand was unable to turn the industrial customers to adopt steam and heat in such short period of time, thereby affecting the revenue generated during the year.

As at 31 December 2017, an independent valuation was carried out to determine the recoverable amount of 49% equity interest in Ever-Grand, for the purpose of assessment of an indication of asset impairment in complying with HKAS36. The recoverable amount was determined at approximately HK$645,540,000, which was approximately 25.3% to the Group's total assets of approximately HK$2,546,030,000. The management of Ever-Grand has adopted "**Discounted cashflows method**" under "**Income approach**" as the valuation methodology.

The major inputs used were: (i) the approved budgeted future cashflows of Ever-Grand for the financial periods from 2018 to 2022; (ii) pre-tax discount rate of 21.0%; and (iii) terminal growth rate of 3.0%.

For the year ended 31 December 2017, as a result of the valuation result of the recoverable amount of such asset, the Directors noted an indication of impairment of the related investment, and according to the independent valuation, the recoverable amount of approximately HK$645,540,000 falls below the carrying amount of the investment of approximately HK$892,402,000. The Directors considered to recognise an impairment loss of HK$246,862,000 for such investment.

According to the consolidated financial statements of Ever-Grand and its subsidiaries (collectively the "**Ever-Grand Group**") for FY2017 received by the Company, the attributable net profit to the Company for FY2017 is approximately HK$1,008,000, which falls below the guaranteed amount (given by Sky-Linked) of HK$53,900,000 for FY2017. The shortfall is approximately HK$52,892,000 (the "**Amount in Difference**"). Pursuant to the sale and purchase agreement, in respect of the non-fulfillment of the profit guarantee for FY2017, the Company will cancel the same principal amount of convertible notes from those held in escrow for FY2017 and return to Sky-Linked the remaining convertible notes held in escrow for FY2017.

FINANCING ACTIVITIES AND EVENTS AFTER THE REPORTING PERIOD

On 17 July 2017, the Company completed the placing of an aggregate of 494,232,000 placing shares at the placing price of HK$0.24 per placing share to not less than six placees (the "**Placing**") and the gross proceeds from the Placing are approximately HK$118.6 million and the net proceeds from the Placing (the "**Proceeds**"), after deduction of commission and other expenses of the Placing, are approximately HK$116.0 million. The net proceeds were used (i) approximately HK$15.6 million was used to repay interest expense for the US$20.00 million guaranteed secured notes due in January 2018; (ii) approximately HK$27.0 million was used to repay the loans from a shareholder of the Company, Keyne Holdings Limited; (iii) approximately HK$61.0 million was used to repay the other loans of the Company and (iv) approximately HK$12.4 million was used for general working capital of the Group. The Proceeds were used as intended purposes.

On 19 July 2017, the Company entered into (i) a non-legally binding memorandum with Ever Harmony Enterprises Limited ("**Ever Harmony**") in relation to the possible acquisition whereby the Company intends to acquire and Ever Harmony intends to sell all or part of its shareholding in Yangzhou Ya Tai Zhi Ye Company Limited (揚州亞太置業有限公司), the target company, and (ii) the investment management agreement with CSOP Asset Management Limited (the "**Manager**"), pursuant to which the Company has agreed to appoint the Manager and the Manager has agreed to accept such appointment as manager to provide the investment management service by the Manager to the Company. The principal purpose for the Company to enter into the investment management agreement is to enhance its income for the presently unutilised Proceeds, such that additional revenue can be achieved from idle cash before applying to the designated use. In addition to enhance the income, the Company is also allowed for the flexibility of withdrawal at its request. These features enable the Company to generate steady income from its cash surplus while at the same time, maintaining the Company's liquidity position.

On 25 July 2017, a Company's subsidiary entered into certain supplemental loan agreements with the PRC bank, for a period of 3 years, for the term loan of RMB200,000,000 which is interest bearing at 9% per annum. Under such loan agreements, the borrowings were secured by the land situated in Xiangtan, Hunan (which was acquired by the Group in October 2013 for the residential development project) and guaranteed by certain related parties of the Company.

On 18 December 2017, the Company as borrower has entered into the facility agreement with China Huarong International Holdings Limited as lender, pursuant to which the lender has agreed to make available a loan facility of up to US$42,000,000 to the Company. Subject to the terms of the facility agreement, the lender has agreed to provide to the Company a term loan facility in the aggregate amount of US$42,000,000. The facility has a term of 3 years from its first utilisation date and can be extended for a further 1 year pursuant to the terms of the facility agreement. The facility bears interest at 8% per annum.

On 8 February 2018, Shanghai Dongyuan Huixin Equity Investment Fund Management Company Limited (上海東源匯信股權投資基金管理有限公司) as the General Partner and Shanghai Dongxing Investment Holding Development Company Limited (上海東興投資控股發展有限公司), Beijing Jinye Changfeng Industry Company Limited (北京金業長豐實業有限公司) and Chengdu Zhongfa Yellow River Industry Company Limited (成都中發黃河實業有限公司) ("**Chengdu Zhongfa**") collectively as the Limited Partners entered into the Limited Partnership Agreement in relation to the capital contributions and management of the Partnership. Nanjing Jin Gao Real Estate Company Limited (南京金高房地產開發有限公司) ("**Nanjing Jin Gao**") and Chengdu Zhongfa entered into the loan agreement, pursuant to which, Nanjing Jin Gao has agreed to make an interest-free loan in the amount of RMB190 million (equivalent to HK$236.44 million) available to the Chengdu Zhongfa from 9 February 2018 for a term of two (2) years to fund its capital commitment to the partnership. The loan is unsecured.

On 12 March 2018, the Company as issuer has entered into the placing and subscription agreement with Donghai International Securities (Hong Kong) Limited as placing agent, Donghai International Financial Holdings Company Limited as subscriber, and Mr. Zhu Peter, Ms. Qian Ling Ling, Mr. Zhu Boheng, Mr. Zhang Li and Shanghai Jin Da Di Investment Company Limited as guarantors, pursuant to which the Company has agreed to issue the US$15,000,000 10 per cents senior guaranteed unsecured notes due 2019 in favour of Donghai International Financial Holdings Company Limited (the "**Notes**"). The Company shall redeem the Notes on the first anniversary of the issue date of the Notes, which can be extended for a further 1 year pursuant to the terms of the placing and subscription agreement and the conditions to the Notes.

On 26 March 2018, Grimston Limited as vendor (the Company's wholly-owned subsidiary) entered into a sale and purchase agreement with Circle Prosper Limited as purchaser to dispose 100% equity interests in Prosper China Limited which beneficially holds the investment in the GLC Special Situations Fund L.P. (the "**Fund**") at a consideration of HK$110,000,000. On the same date, Elite State Developments Limited as vendor (the Company's wholly-owned subsidiary) entered into a sale and purchase agreement with Force Hasting Limited as purchaser to dispose 19% equity interest in Broad World Holdings Limited at a consideration of HK$65,000,000.

DISPOSAL OF SHARES BY SHAREHOLDERS AND VOLUNTARY CONDITIONAL CASH OFFER

On 27 April 2017, two share purchase agreements were entered into between (i) Connected-World Group Limited ("**Connected-World**") as vendor and China U-Ton Holdings Limited (the "**Purchaser**") which shares are listed on the Main Board of the Stock Exchange (stock code: 6168), as purchaser (the "**SP Agreement A**") and (ii) Full Dragon Group Limited ("**Full Dragon**") as vendor, and the Purchaser ("**SP Agreement B**"). Pursuant to the SP Agreement A, Connected-World has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 100,000,000 shares of HK$0.01 each in the capital of the Company at the consideration of US$3,146,586 (the "**Disposal A**"). Pursuant to the SP Agreement B, Full Dragon has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 232,284,073 Shares at the consideration of US$7,308,599 ("**Disposal B**", together with the Disposal A, the "**Disposals**").

Immediately following the Disposals, Full Dragon ceased to be a shareholder of the Company and Connected-World remains interested in 494,050,000 Shares after the Disposals.

On 22 September 2017, Keyne Holdings Limited (the "**Offeror**") and the Company jointly announce that Octal Capital Limited will, for and on behalf of the Offeror, to acquire all of the issued shares and all outstanding convertible notes, and to cancel all outstanding share options of the Company (other than those already owned or agreed to be acquired by Offeror and its concert parties). The voluntary conditional cash offer ("**Share Offer**") was closed and completed on 1 December 2017.

Immediately before 22 September 2017 (being the commencement date of the offer period), the Offeror and its concert parties were interested in an aggregate of 642,488,592 ordinary shares of the Company of HK$0.01 each, representing approximately 21.67% of the issued share capital of the Company as at 22 September 2017 and 1 December 2017.

On 1 December 2017, being the final closing date, taking into account the valid acceptances in respect of 960,183,268 Offer Shares representing approximately 32.38% of the issued share capital of the Company as at 1 December 2017 under the Share Offer, the Offeror would hold an aggregate of 1,602,671,860 Shares, representing approximately 54.05% of the issued share capital of the Company as at 1 December 2017.

PROSPECTS

Looking back 2017, the world economy experienced a phase of synchronized recovery, in particular, China recorded far better-than-expected performance. Supported by the continuous improvement in the macro economy, the Group believes that the growth drivers of China's property sector will remain solid in 2018. Therefore, the Group will continue to focus on property and hotel development business in the coming year.

According to estimates of the State Council, the elderly population aged 60 or above in China is growing by approximately 6.4 million people per year, on average, and will increase to approximately 255 million by 2020, accounting for approximately 17.8% of the total population. As the population ageing is intensifying, the domestic demand for quality elderly services has increased significantly. In view of this, the Group intends to target the increasingly affluent population in China and explore projects such as high-end retirement communities or healthcare real estate to tap the huge growth potential.

To further expand our business, the Group will actively accelerating its pace of acquisitions, aiming to focus on the investment and development of tourism and commercial property and hotel projects. Moreover, the Group also plans to expand beyond China by seeking high-quality overseas assets for acquisitions, with a view to further enriching the Group's business portfolio and broadening our geographical footprint.

Though the results of centralised heat supply business during the year under review were less than expected, we anticipate that the steam supply volume will improve further in 2018, as major customers relocated their plants to places near the Group's steam transmission pipelines during the year. Coupled with the fact that environmental heat energy business is in line with China's development direction to reduce emission and save energy, the Group remains optimistic about the prospects for the centralised heat supply business. Once the relevant funding and the government plants and policies are implemented as planned, the Group will speed up the deployment of steam transmission pipelines. In conjunction with the gradual roll out of stringent regulatory policies, the Group believes that more customers will switch to the cost-effective steam heating, thereby bringing sustainable revenues to the Group in the long run.

Looking ahead, the Group is still faced with many challenges. However, with the solid foundation built over the years, the Group remains positive on our future growth. The Group will remain prudent and focus on the development of high-potential businesses, meanwhile keeping a close watch on the performance and potential opportunities of other businesses, as well as actively exploring fresh concepts to strive for new development dimensions and profit growth.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group's net current assets were approximately HK$465,132,000 (31 December 2016: HK$522,095,000), with current assets of approximately HK$1,146,080,000 (31 December 2016: HK$1,114,974,000) and current liabilities of approximately HK$680,948,000 (31 December 2016: HK$592,879,000), representing a current ratio of approximately 1.68 (31 December 2016: 1.88). As at 31 December 2017, the Group had cash and cash equivalents of approximately HK$7,645,000 (31 December 2016: HK$24,010,000).

CAPITAL STRUCTURE

As at 31 December 2017, the Group's total equity amounted to approximately HK$1,206,621,000 (31 December 2016: HK$1,446,837,000).

BORROWING AND BANKING FACILITIES AND CHARGE ON GROUP ASSETS

As at 31 December 2017, the Group's outstanding borrowings and convertible notes were approximately HK$798,069,000 (31 December 2016: HK$834,513,000). The Group's bank borrowing of approximately HK$186,278,000 (31 December 2016: HK$192,372,000) was secured by the Group's land use right and construction in progress with a net carrying amount of approximately HK$77,273,000 (31 December 2016: HK$79,285,000) and approximately HK$136,638,000 (31 December 2016: HK$64,453,000) respectively. The Group's bank borrowing of approximately HK$233,784,000 as at 31 December 2017 (31 December 2016: HK$275,061,000) was secured by the Group's properties development in progress with a net carrying amount of approximately HK$476,240,000 (31 December 2016: HK$441,466,000). The Group's current bank borrowing of approximately HK$406,000 (31 December 2016: HK$627,000) and bank overdraft of approximately HK$2,468,000 as at 31 December 2017 (31 December 2016: HK$2,981,000) were secured by the leasehold land and buildings, with a net carrying amount of approximately HK$645,000 (31 December 2016: HK$672,000). The Group's bank borrowing of approximately HK$11,000 as at 31 December 2016 was secured by the Group's bank deposits of approximately HK$17,000. The Group's other loan of approximately HK$156,160,000 (31 December 2016: HK$153,459,000) was secured by the share charges over certain subsidiaries of the Group, inter-companies loans and a personal guarantee executed by Mr. Cheng Keung Fai ("**Mr. Cheng**"), a former shareholder of the Company. The Group's loans from a former shareholder of approximately of HK$15,828,000 (31 December 2016: HK$15,828,000), loans from a shareholder of approximately of HK$1,863,000 (31 December 2016: Nil) and other loan of approximately HK$66,371,000 (31 December 2016: HK$57,346,000) were unsecured. The gearing ratio based on borrowings and convertible notes over total equity as at 31 December 2017 was approximately 0.661 (31 December 2016: 0.577).

EXPOSURE TO FOREIGN EXCHANGE

The Group's assets and liabilities are mainly denominated in Hong Kong Dollars, United States Dollars and Renminbi. Income and expenses derived from the operations in the PRC were mainly denominated in Renminbi. There is no significant exposure to the fluctuation of foreign exchange rate, however, the Group will closely monitor the market and make appropriate adjustments and measures when necessary.

CONTINGENT LIABILITIES

Save for those disclosed in note 15, there were no contingent liabilities that the Group is aware of.

EMPLOYEES AND REMUNERATION POLICIES

Staff costs for the year ended 31 December 2017 was approximately HK$19,361,000 (2016: HK$24,158,000), representing a decrease of approximately 19.9%, mainly due to restructuring of the existing businesses portfolios. The Group had a workforce of 75 (2016: 100). Salaries of employees were maintained at competitive levels while bonuses were granted on a discretionary basis.

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the year ended 31 December 2017 (2016: Nil).

CORPORATE GOVERNANCE

During the year ended 31 December 2017, the Company has complied with the code provisions of Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

PURCHASE, REDEMTPION OR SALE OF LISTED SECURITIES OF THE COMPNAY

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Shares during the year.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers (the "**Model Code**") set out in Appendix 10 of Rules Governing the Listing of Securities on the Stock Exchange as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the requirement set out under the Model Code throughout the year ended 31 December 2017.

AUDIT COMMITTEE

The audit committee of the Company has met with the external auditor of the Company, Messrs. RSM Hong Kong, to review the accounting principles and practices adopted by the Group and the consolidated results of the Group for the year ended 31 December 2017, and is of the opinion that the consolidated results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made. The audit committee is composed of three independent non-executive Directors, Mr. Tang Ping Sum, Mr. Tsui Pui Hung and Mr. Chiu Sin Nang, Kenny. The chairman of the audit committee has professional qualifications and experience in financial matters.

SCOPE OF WORK OF RSM HONG KONG

The figures in respect of the Group's consolidated statement of financial position consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditors, RSM Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement is published on the website of the Stock Exchange (http://www.hkexnews.hk) and that of the Company (http://www.nine-express.com.hk). The annual report will be dispatched to the shareholders and will be available on the website of the Stock Exchange and that of the Company in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to all our staff for their dedication and contribution to the Group. In addition, I would like to thank all our shareholders and investors for their support and our customers for their patronage.

By order of the Board
Nine Express Limited
Zhang Li
Chief Executive Officer

Hong Kong, 27 March 2018

As at the date of this announcement, the Board comprises six Directors. The executive Directors are Ms. Qian Ling Ling (Chairman), Mr. Zhang Li (Chief Executive Officer) and Mr. Xiang Junjie; and the independent non-executive Directors are Mr. Tsui Pui Hung, Mr. Tang Ping Sum and Mr. Chiu Sin Nang, Kenny.